May 24, 1961

Investor's Reader

For a better understanding of business news

UNITED ARTISTS TELLS LIVELY WEST SIDE STORY (see page 12)

LADY LIGHTWEIGHT

She wears "Esprit" which bathing suit specialist Rose Marie Reid claims is "the lightest swimsuit ever made." Including strong zipper and built-in bra it weighs just 4 ½ ounces and without this comely beach beauty to hold it down the cluster of balloons would easily pull it aloft. Besides its light weight, Esprit is so transparent a newspaper can be read through it while it hangs on the rack. But when worn, it turns demurely opaque.

All this is because it is made of Lycra, the duPont version of the new spandex fabrics. Rose Marie Reid is also sewing suits of Vyrene, another spandex fabric made by US Rubber. Both versions are starred in Rose Marie Reid's 1961 line.

Spandex is a synthetic elastomer which offers all the figure controlling benefits of rubber or lastex along with lighter weight, greater comfort, longer wear. For the past few years it has been used in foundation garments, stretch ski pants, men's hose. Recently it has expanded into light weight garments like lingerie and dresses. Currently only limited quantities are available for swimwear manufacturers.

However supplies should become more plentiful. DuPont expects to have a multi-million dollar Lycra facility running at full capacity in Waynesboro, Va by the Summer of 1962. US Rubber doubled Vyrene capacity at Gastonia, NC last year, expanded again in the first 1961 quarter and will complete a third expansion later this year.

Nonetheless mass production of spandex swimwear still has a long way to go. As Rose Marie Reid president Paul Haberfeld says "spandex will not set any volume records at first." And that is on a total sales base of only $20,000,000 for Rose Marie Reid compared with more than $2 billion for duPont and almost $1 billion for US Rubber.

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BUSINESS AT WORK

NATIONAL ECONOMY
Profitable Prosperity

FOR MANY companies profits growth has not kept up with sales. But Corn Products Company has a happier tale to tell. For the past decade its sales and net income have trended up and, satisfyingly for the company's shareholders, net income has moved a little faster than sales. With past figures restated to include 1959-merged Best Foods, sales in the past decade were up 50% to $691,400,000 in 1960. But profits in the same period rose 73% to $38,200,000 in 1960, which means 1960 net was 5.52% of sales *v* 4.81% in 1951.

CHEMICALS
Atlas Restyles

STOCKHOLDERS faced a formidable agenda at the 48th annual meeting of Atlas Powder Company a few weeks back. But when they adjourned they had approved a 4-for-1 split, the acquisition of California drug maker Stuart Company effective June 1 and the new, more encompassing corporate title of Atlas Chemical Industries Inc.

President Ralph K Gottshall explains the new moves: "In the past decade Atlas research in food additives has developed skills for evaluating the physiological effects of numerous compounds. We've been looking for a way to exploit these developments for some time and Stuart offered an excellent opportunity."

He continues: "With the merger both companies stand to gain. Atlas gets an outlet for products developed through hydrocarbon research and Stuart a growing basic research organization. We wouldn't go into it except for mutual benefit. We look for increased sales and contributions to earnings above the growth of Stuart in the last three years." In that period Stuart sales have grown 10%, profits 8%. Last year sales

were $8,543,000 and earnings came to $1,101,000 or $1.47 a share.

To pay for its new acquisition Atlas will issue $1\frac{1}{2}$ shares of new common for each of the 244,000 Stuart shares in public hands. The remaining 483,000 shares which are held by the Stuart management will be exchanged for a special Class A stock which can be converted piecemeal over a five-year period into regular common at a rate of 1.2 Atlas common shares for each original Stuart share.

With the acquisition the Atlas product mix will now be about 10% in drugs, the rest equally divided between chemicals and explosives, the original Atlas product line. The business has changed radically since 1956 when Atlas introduced low-cost fertilizer-grade ammonium nitrate for blasting. Since then Atlas has closed three nitroglycerin explosive plants and consolidated explosives production at its two remaining plants where it also makes ammonium nitrate. Additional capacity comes from its 50% interest in Solar Nitrogen Chemicals. Ammonium nitrate now accounts for half of Atlas' total explosives tonnage and Ralph Gottshall expects "within the next five years it will be 65-to-70%. Sales here are going very well and should continue to climb."

President Gottshall takes a call

Atlas added chemicals to its product mix in the Thirties when it began making sorbitol—a polyolefin. Today sorbitol, mannitol (another polyolefin) and their compounds continue to be major products of the Atlas chemical division. They are sold to the pharmaceutical, food, cosmetic and plastic industries. Atlas has also expanded into demulsifiers, desalting compounds, drilling fluid emulsifiers, detergents, textile finishes, lubricants and softeners.

A progressive research and development program continues to add new products. Last year the company spent $4,100,000 for R & D, "this year we're budgeting $4,500,000." In addition Atlas will spend another $12,000,000 for updating and plant improvement. This includes a new polyolefin plant now building at Wilmington and scheduled for completion by mid-1962.

So far this year the Atlas product mix has brought some very cheery results. On a sales gain of only 2% in the first quarter it managed to net 92¢ a share *v* 87¢ last year. President Gottshall notes second quarter sales are "better." He expects full-year sales including Stuart to be "$77-to-80,000,000" and earnings of at least $4,000,000 are "now in the ball park." Atlas alone had sales of $70,850,000 and earnings of 98¢ a new share in 1960. So these minimum goals just about match the 1960 Atlas-plus-Stuart results.

AVIATION

Rohr Aircraft Reverses 1960 Loss, Heads for Record 1961

FOR $75,000,000-assets Rohr Aircraft Corp the year ending July 31 will be one of reversal. After suffering in fiscal 1960 its only loss in 20 years of operation, the West Coast aircraft subcontractor is shooting for the best earnings in its history. And it is accomplishing this despite a decline in sales.

With its nine-month report in, Rohr is well on its way. Through April it netted $3,740,000 or $1.94 a share on sales of $121,000,000. This compares with earnings of only 44¢ on $151,000,000 volume in the first three quarters of fiscal 1960.

For the full fiscal year chairman & president Frederick Hilmer Rohr forecasts profits of $5,300,000 or $2.75 a share with sales figured around $160,000,000. Last year Rohr lost $2,600,000 on 17% higher sales. Fred Rohr attributed the decline in current sales to a cutback in tooling equipment used to make power plant assemblies for commercial and military jet aircraft.

Rohr stock has also done quite a reversal. From a high of 24 in 1959 it dove to half that level the following year. Since then the 1,800,000 shares have recovered all the lost altitude and then climbed some more. They now trade on the Big Board around an alltime top of 27.

Rohr's heavy fiscal 1960 loss was the direct result of its commercial plane program. Like most of the prime contractors (IR, Oct 12, 1960) Rohr chose to write off its losses in the commercial programs at the end of the period to put future commercial work on these programs on a profit basis.

But despite this disastrous bout with commercial jets and the ever present rumblings about the phase-out of manned aircraft, Fred Rohr is one manufacturer who is decidedly optimistic about the future of the aircraft industry. Speaking before Manhattan security analysts, the 65-year-old executive stated the other week: "Don't let anyone tell you that the aircraft industry is through, despite some gloomy forecasts by those who say that the days of manned airplanes are numbered and that nothing but missiles will be flying in a few years."

Rohr's activities reflect this faith. Some 75% of Rohr revenues come from engine assemblies or "power packages" for jet, turboprop and piston aircraft. The rest is in fuselage sections, honeycomb panels and other components.

Rohr also has a hand in the Hound Dog, Mercury, Atlas and other missile programs. But aircraft business remains its forte. As the nation's largest aircraft subcontractor ("we do three times the subcontracting business of any of our competitors") it has worked on practically every important plane in the last decade. One example: the Boeing 707 series. Rohr originally did the jet pod assemblies for the 707's military counterpart, the KC-135; recently landed an initial multimillion dollar contract for the jet engine pod assemblies for the 727, the latest in the series. Other commercial planes on

which Rohr has contracts include the Convair 880, Lockheed's Electra.

On the military front, the company has contracts for the Boeing B-52, Convair B-58 and North American B-70 bombers as well as McDonnell's F4H-1 fighter and Lockheed's P2V and P3V series.

There are many reasons for Fred Rohr's confidence in the future of manned aircraft. For one, "you never throw a faster, better mode of transportation aside."

He also notes the Government continues to allocate funds for manned aircraft. The House Armed Services Committee early this month proposed 1962 budget authorizations of $5.5 billion for aircraft production compared with only $4 billion for missiles and $3 billion for ships.

He also cites the longevity of many of Rohr's aircraft contracts. For example, Fred Rohr notes "our P2V work is still continuing after eleven years." As for commercial planes "we are still building spares on the old Connies which have been around for 15 years." President Rohr further expects the 707 series to have a very long life span "with a minimum of ten years more" before the industry launches into another generation of transports.

Eventually of course, he concedes, "just as the airplanes of today make those of a few years ago obsolete so will those of tomorrow relegate our present planes to obsolescence." However for the time being, according to executive vice president Bert F Raynes, "the current commercial planes are like a pocketknife. They are not going to be improved radically. They will be refined. They have gone about as far and as fast as they can go till we break through the sound barrier."

All of which, Fred Rohr feels, "gives us plenty of future aircraft work to keep us busy." In fact "we expect the current ratio of earnings-to-sales to continue for the foreseeable future."

To make sure it does, the company is bidding on a number of new contracts. Biggest is for the power packages on the new Lockheed C-141 military transport which Fred Rohr figures "we have a pretty good chance of getting. We worked very closely with Lockheed before they put in their bid for the prime contract."

Fred Rohr figures his company will earn $2.25 a share in fiscal 1962 at the minimum. But this is only what "we consider an actuality" based entirely on the current $150,000,000 backlog which "could change radically any day." Winning the C-141 contract which Rohr figures could total around $25,000,000 would obviously provide a healthy boost. It would also be most welcome. As recently as 1958 the Rohr backlog stood as high as $245,000,000.

BUILDING SUPPLIES
Wickes Tale

THREE Saginaw companies, each founded by the same family in the Nineteenth Century, merged in 1947 to form Wickes Corp. At the time the Michigan trio turned out machine tools, steam boilers and graphite products. Chief executive officer Harry Randall Wickes (grand-

on and great nephew of the founders) likened the merger to "the marriage of a monkey and a giraffe."

But the union proved successful. Since 1947 Wickes volume has increased nearly twelvefold to $104,000,000 in the year ended June 1960. In the same period profits tripled to $3,000,000 or $1.67 a share. The company attributes the slower earnings rise to its entry during the past decade "into agricultural, lumber and building supply businesses which increased sales volume but lowered profit margins."

However Wickes profit growth has been sufficient to propel its stock on the Amex from an adjusted price of 2 right after the marriage to 48 at presstime. Two-thirds of the ,800,000 shares are still held by family, management and "close friends of the company" but Randall Wickes reports "we're getting an awful lot of new stockholders lately."

Wall Streeters attribute the recent "great interest" in Wickes common to the company's bright quarterly reports this fiscal year. In nine months through March sales rose .5% but earnings soared 45% to 1.48 a share from $1.02. President Wickes warns the year-to-year gain will be smaller in the final fiscal quarter. Even so earnings for the year ending next month "will be up 0-to-25% or over $2 a share." Sales are expected to be between $110-and-$115,000,000.

At present the company pays 15¢ quarterly but believes a 50-50 split with stockholders "is a fair policy." President Wickes says an increase "is coming" but warns "we're expanding a lot and like to pay as we go."

One major and still continuing expansion effort is the Wickes lumber yards. The present 20 cash & carry lumber yards together with the agricultural operation (Wickes stores, processes and ships Michigan navy beans, wheat, corn, peas, etc) "are now about 60% of our business." No further breakdown is given except that the lumber division "is the largest."

Timber Tale

Randall Wickes relates the timber tale: "The grain elevators in this area, as a convenience to their customers, operated lumber yards but emphasized the agricultural end. About seven or eight years ago we figured we'd push the lumber business or not bother with it." After testing in two locations, Wickes decided to push. By this Fall the company will operate 27 yards in ten Northern states "from the Hudson to the Mississippi and around the Lakes region."

Wickes yards "handle only the top brand names and grades" of lumber, hardware, glass, paint "or just about everything that goes into a house." The company sells to contractors, home owners and even to small lumber yards. President Wickes comments: "One reason contractors come to our yards from 40, 50 or 70 miles away is at one stop they can get everything they need. This year we added plumbing, heating and electrical supplies."

Also of "growing importance" to Wickes operations is the international division. The company ships abroad "grain, beans, machinery or

Randall Wickes on the job

whatever we have." Last Fall the company completed a $500,000 marine terminal at Bay City, just north of Saginaw. It was "created primarily for the export of navy beans." The first shipment left late last month as the St Lawrence Seaway season opened.

Randall Wickes credits "our export business" for the fact the machine tool division "has been very busy for nearly two years." Principal product is crankshaft lathes. "We sell mainly to gasoline engine makers—not only auto, but aircraft, tractor or anybody who needs a crankshaft." The Wickes steam generator business "hasn't been too good but looked a little better this past month." The company's boilers which range up to 500,000 pounds of steam an hour are slated for small municipal power plants, institutions and "many of the blue chip companies in the country."

The third original Wickes division, graphite products, "is doing all right but the outlook is not as good as a year ago." Wickes mines graphite in Mexico and then manufactures it at Saginaw into bearings, bushings, pistons, etc. These go into everything from baby carriages to atomic submarines. President Wickes says "this is mainly a replacement parts business, not like machinery or boilers."

Whatever the next turn of the economy, Randall Wickes notes "we've lived through so many ups & downs we're not afraid." The 72-year-old executive—and incidentally the only remaining Wickes in the management—has been with the organization ever since he started as a machinist apprentice in 1911. He summarizes: "Everything we sell is basic. I see nothing adverse in our future. How much better things get—well that's in the lap of the gods."

OIL
Union in the Universe

In summary, we are lowering costs, upgrading assets and diversifying.

THIS WAS the gist of the message carried to an overflow assemblage of New York Security Analysts last week by chairman & chief executive Reese Hale Taylor of Union Oil Company of California. Tall, 60-year-old bossman Taylor (he came to Union as president in 1938) also brought with him two senior aides: president Dudley Tower who received his title last Fall and Robert T Collier, "chairman of our most important subsidiary," 80%-owned

Collier Carbon & Chemical Corp.

Dudley Tower remarked: "Although we were originally a California company, in 1940 we began searching for oil in the Mid-Continent and Gulf Coast areas. Reserves in these areas now account for almost half our total" of over half a billion barrels of oil and 4 trillion cubic feet of gas. Union, together with Pure Oil, is just now happily developing a "field of major proportions" 50 miles off the Louisiana coast. It also has 5,500,000 acres under lease in Canada.

Union is also among the Alaska oil prospectors. It has found "sizable" gas reserves on the Kenai Peninsula and is selling some of the gas to nearby Anchorage but still has "tremendous" supplies available for which it is seeking markets. It is "investigating" shipping methane in liquified form to markets on both shores of the Pacific and the islands between. Dudley Tower is also "quite hopeful this will be our year" to find Alaskan oil.

At the moment the chief popular interest in Union's oil search however has centered on the other end of the Pacific. Early this month Union reported it (and partners Kern County Land and Australian Oil & Gas) found oil in Australia—aside from Sweden, the world's only major oil consumer to have no commercial production. Oilmen Taylor & Tower last week felt properly "encouraged" but warned against hasty optimism: "We've had a number of 'shows.' We are testing between 9,900 and 10,000 feet and understand the discovery well is now producing at 65 barrels a day." President Tower added wryly: "I doubt we'd start production with such a rate at 10,000 feet."

Union has also found excitement prospecting in the Spanish Sahara where two months ago the eleven members of a seismic survey crew were kidnapped by Moroccan tribesmen. Meantime exploratory drilling continues. Union is also interested in Libya and Reese Taylor adds "we are seeking exploration opportunities in other areas of the world."

But while exploring worldwide, Union confines all its refining as well as "76" brand gasoline marketing to the twelve Western states. However, it sells Triton lubricating oil nationally, heavy crude and fuel oil internationally.

Western Advantages

Los Angeles-born Taylor is happy with the Pacific locale "because 90% of the energy consumed on the Coast comes from oil & gas as compared with 70% for the rest of the country." The West's above-par growth provides another plus.

One drawback is the lush marketing opportunity has also "proved very attractive to new competitors" and there are now eleven major oil companies competing for the Western market *v* seven a few years ago. "No doubt more will come." This has led to some severe price wars.

Reese Taylor is confident Union is "well prepared" to meet the "tougher than ever competition" thanks to a "topnotch" research organization, modern and efficient refining and transportation facilities and an "aggressive" marketing department. Union is building 150 new service sta-

tions this year to "add to the 4,500 we already have." Two further profit boosters: it is just introducing tires and batteries under its private Minute Man brand; it is placing increasing stress on signing credit card customers who provide "over 50% of our retail gas sales and add to the stability of our market."

Union is also pushing increasingly into petrochemicals through subsidiary Collier Carbon which, Bob Collier reports, "west of the Rockies ranks third in ammonia, second in processing and marketing petroleum carbon and first in manufacture of ammonium nitrate, dry ice and liquid carbon dioxide." Collier has recently completed a high-purity carbon plant adjacent to Union's San Francisco refinery.

Collier's special pride is two naphthalene plants to be built together with Tidewater Oil—one in Delaware to be ready this November, the second in Los Angeles. Using a Union-developed process, "these plants will be among the first" to produce naphthalene from petroleum instead of coal tar distillates. In answer to an obvious question, Reese Taylor later declared: "Capacity in certain petrochemical phases is definitely overbuilt but in others like naphthalene there is an actual shortage."

Withall, Union keeps a stern eye on costs. Reese Taylor points to continued efforts to improve performance so "we are doing many of the same functions at less cost and with fewer people." In another move, Union has sold surface rights to 3,000 acres near the Vandenberg missile base in California to a residential developer, meantime retaining the mineral rights. Similar deals are being studied elsewhere. And even in research, Reese Taylor proudly points to the "vigorous pursuit of patent licensing" so that "patent royalties pay for nearly half our total research costs."

These efforts have produced an encouraging earnings resurgence. On record sales of $441,000,000, Union last year pushed earnings to a three-year high of $34,500,000 or $3.96 a share, 25% better than 1959 though well below the 1953 record of $4.52 (adjusted for frequent stock dividends). In the first 1961 quarter earnings came to $1.05 *v* 63¢ the year before. For the second quarter Reese Taylor would commit himself only to an "at least as good" as last year's 92¢ but for all 1961 he predicts "continued improvement," buoyed by rising natural gas sales and a steady improvement in product mix.

ELECTRONICS
RCA Spectacular

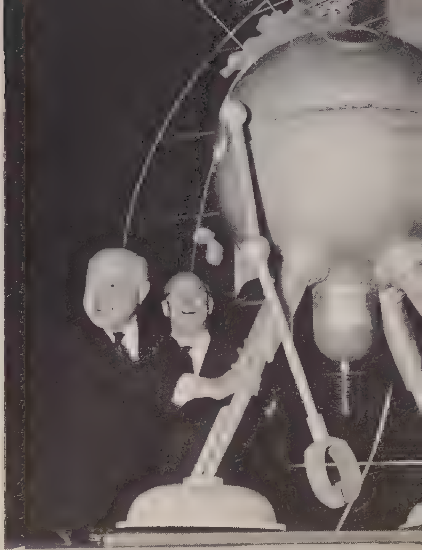
THE ANNUAL MEETING roadshow shifted to TV & electronics giant Radio Corp of America last fortnight. It was considerably bigger and longer than the CBS show two weeks earlier (IR, May 10). Over 1,750 RCA shareholders crowded into mammoth NBC studio 8H in Rockefeller Center to listen to chairman-General David Sarnoff and president John L Burns in a three-hour session followed by a boxlunch.

Also reminiscent of the CBS broadcast was the earnings review

and forecast: last year sales were up but profits down; this year first quarter net was off but the full year should be better.

But there were also plenty of segments devoted to some of RCA's glamorous specialties. Lots of interest centered around one of RCA's more important space projects. It featured a model of "Jerome the Moon-Crawler," a TV-equipped lunar exploration vehicle designed to "move about on the moon in response to radio instructions from the earth." Developed as part of a special research & engineering program partly under Government contracts, it could "be operational well within five years." The moon-crawler is being developed at RCA's astro-electronics division in Princeton, NJ. Astro-electronics scientists also built the two Tiros weather satellites launched last year.

Other major RCA defense and space electronics activities include prime contracts for the Saint anti-satellite satellite system and the Ballistic Missile Early Warning System (BMEWS). It is also developing and managing the vehicle communications & data link system for the Air Force DynaSoar. For project Mercury RCA contributed the "pencil tubes" which powered the two-way radio used by Commander Shepard. Electron tube division vp Douglas Y Smith commented "RCA made a small but important contribution to Project Mercury and we, like other suppliers, are proud of the performance of our products." In addition, RCA Service Company, under subcontract from Pan American Air-



Sarnoff & Burns with friend Jerome

ways, maintains and operates electronic gear at the Canaveral control center.

This year also marks subsidiary NBC's 35th anniversary. At the annual meeting this was celebrated with a preview of Walt Disney's *Wonderful World of Color*. This TV series, co-sponsored by Eastman Kodak and RCA, is scheduled for weekly network viewing this Fall in an attempt to spur more interest in color TV. Stockholders also heard ace reporter Chet Huntley review *NBC News Around the World*. Thanks to the Transatlantic cable, news "cable film" sent from London to New York can bring "European events into American living rooms a few short hours after they take place."

The financial review was of course less glamorous. While sales last year rose 7% to a record \$1.5 billion earnings slipped 13% to \$35,120,000 or \$2.10 a share from \$2.65.

RCA management blamed "general softness" in the economy, "continuing heavy investments in electronic data processing which formed our principal 1960 downpayment on the future and write-off of the $4,000,000 cost of centralizing consumer products operation in Indianapolis."

Nor were first quarter results any more promising. President Burns reported sales inched up half a million dollars over the same 1960 period to $361,700,000 but earnings slipped to $12,000,000 or 68¢ from the record 85¢ netted in the March quarter last year.

He attributed the profit decline to "continued heavy investments" in semiconductors and electronic data processing. However he noted "the semiconductor investment is already profitable. The data processing pay-off is still ahead * * * Had we elected to retrench in this area, our first quarter profits would have been challenging our alltime record for this quarter. We believe we are at the peak period in our data processing costs and we expect they will decline appreciably beginning next year."

As a result RCA's 16,500,000 shares trade 13 points below the record high of 78 last year. For the full year RCA's "expectations are optimistic." Says John Burns: "Six important areas of our business are hopeful of record earnings. If the national economy continues its upward momentum, sales and earnings should surpass last year's levels."

A few bright notes: the 52-year-old president is very pleased with consumer products operations. For instance, 13 of the top 15 classical albums are RCA-Victor labels. RCA-Victor also recently "scored a major technological achievement with its electronic stereo reprocessing."

President Burns is most optimistic about color television. An improved color picture tube which provides 50% brighter pictures is helping to increase sales of color receivers "considerably." As a result color sets now contribute about "one out of every three dollars of RCA's total television receiver sales and an even larger share of receiver profits."

The RCA president expects color TV volume to move "well beyond the present $100,000,000-a-year mark." If he proves right RCA should benefit handsomely. While nine other companies are also in the color TV market (including recent re-entries General Electric and Zenith), RCA is the only commercial producer of color picture tubes which it now sells "to other manufacturers for use in the sets they market under their own brand names."

FASHION
Simplicity Patterns Growth

EVER expansion-minded Simplicity Pattern Company is currently hard at work increasing exports and foreign manufacturing facilities. The 34-year-old dress pattern maker recently completed a $400,000 manufacturing plant in Tokyo suburb Hatogaya. By Fall it expects to be in production with patterns printed in Japanese and scaled to Japanese sizes covering everything from "the layette to the oversize figure." The new

apanese facility makes Simplicity one of the first ompanies to bring Western clothes to the Orient.

Already well established n foreign lands, Simplicity manufactures in Canda, Britain, Germany, ustralia, New Zealand nd South Africa. It also istributes its patterns hroughout the rest of Vestern Europe and Latin merica.

Simplicity worker cuts master plate

Foreign business is not ithout its headaches. implicity president James Shapiro omments: "Shipments to Latin merica have been curtailed in certin areas and discontinued entirely Cuba. We hope the political and conomic climate will improve * * * ur patterns have always received xcellent acceptance in Latin Amerian countries."

However, Simplicity's African usiness has not been affected by poical disturbances. Sales there "have een progressing consistently."

While its foreign sales present a ight growth pattern, the bulk 37%) of Simplicity volume comes om domestic operations which have en spurred by the free distribution sewing magazines. Simplicity last ar gave away over 2,500,000 copies *Modern Miss* which is aimed at the enage market. President Shapiro pes soon to distribute this magaie on a worldwide basis and aims r a 10,000,000 circulation within a w years.

For home economics and sewing chers Simplicity distributes *Modern Teacher* magazine. The company also sells (for 50¢) *Simplicity Pattern*, a high fashion pattern magazine with a circulation of 650,000. Simplicity "doesn't try to make a profit from its publications. We publish to further Simplicity sales and insure our own future."

The magazines have evidently done a good publicity job. Simplicity sales almost doubled in the past decade and profits about tripled. So far this year "sales are running about 10% ahead of a year ago" with first half earnings "materially higher" than the $1.20 netted in the first half of 1960.

For the full year, "barring something unforeseen," Jim Shapiro predicts "earnings of between $2.30 and $2.50 a share." This would be a new high for the company which earned $2.01 last year and a record of $2.14 in 1959.

As a result, Simplicity's 750,000 common shares now trade on the NYSE at an alltime high of 49, a tenfold increase in the past decade.

Lawyers Lead United Artists Resurgence

Once Faltering Firm Scores by Handling Independents' Films

WITHOUT glancing up from the papers he was signing in his office on Manhattan's Seventh Avenue chairman Robert S Benjamin of United Artists Corp remarked: "Our sole policy is the policy of having no rules except the rule of open-mindedness." This might be a rather bizarre way to run a company but United Artists is an unusual concern.

Although it is very big in movieland—its credits include such recent blockbusters as *Around The World in 80 Days, Some Like It Hot, On The Beach, Exodus*—United Artists does not own a studio or any other film-making trappings. Instead the company finances and distributes films made by independent producers. For releasing movies through its worldwide system of exchanges, United Artists gets 30% of the film's gross receipts in the US, Canada and Britain; 40% elsewhere. Thus United Artists takes its "commission off the top," a lucrative arrangement in these days of ultra high-cost films.

In addition the company usually owns a slice of the film. Bob Benjamin elaborates: "We finance 95%, if you want to be conservative, of the pictures we distribute," either with company funds or by guaranteeing loans made by others. In return for complete financing United Artists usually secures a permanent 25-to-50% share of the film's net profits, if any. However chairman Benjamin remarks: "We are not as rigid about our [percentage] participation in the profits as we are about distribution compensation." He adds: "After all, profits only come after you pay back costs."

The company averages 35-to-40 releases a year. Its TV and cinema distribution rights "almost always run ten years." But the relaxed chairman notes: "This [limit] is kind of a mythical thing for after all we're partners in the picture and they need our consent" for any distribution beyond the ten-year period.

Since 1951, the year in which Bob Benjamin and his law partner Arthur Krim (now president) took over faltering United Artists, it has secured TV rights to more than 400 pictures. So far it has released 189 for video viewing. But most of the better ones are still on the shelf. "In the very beginning we put out a number [of movies] which were not all of our best quality; most of the quality films remain to be released to television."

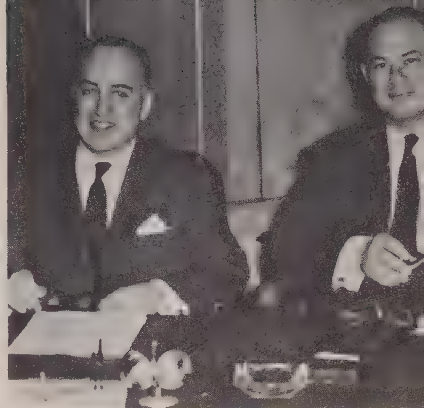
Early History

When the Benjamin-Krim reign began, United Artists was practically bankrupt. The company had been established in 1919 by Mary Pickford, Charles Chaplin, Douglas Fairbanks Sr and D W Griffith to market their films. In its early days United Artists was known as the Tiffany of the movie companies but after War II, when only Pickford and Chaplin were still connected with it (and bickering about how to run it) its fortunes had declined to the point of not having "sufficient and adequate product for distribution."

After three years of losses totalling $1,600,000 the two remaining founders relinquished control to Benjamin & Krim in February 1951. Their Manhattan law firm—now Phillips, Nizer, Benjamin, Krim & Ballon—specializes in movie business but the two executives devote full time to United Artists where they share adjoining offices. Both men are active in civic affairs. Bob Benjamin, a devoted Democrat, was selected earlier this year by President Kennedy to be national chairman of the US Committee for the United Nations.

The new management group took over the company under an intriguing incentive agreement. They received an option to buy 50% of the company for a mere $8,000—provided they could turn a profit in any of the following three years. The company soon scored with *African Queen* and *High Noon*. By the end of 1951 United Artists showed earnings of $313,000. With the company increasingly prosperous, Mary Pickford and Charlie Chaplin then sold their remaining 50% interest to the management for an aggregate $4,100,000 in 1955-56. The next year United Artists offered its first public stock: 350,000 shares at $20 each. Since then the number of shares has grown greatly through numerous offerings and debenture conversions.

Latest report shows 1,274,000 common shares outstanding on the Big Board (symbol: UNA) plus 440,000 management-held Class B common shares which have never drawn dividends but are convertible share-for-



Moviemen Krim & Benjamin

share into regular common. There are also 251,800 shares reserved for exercise of options and warrants. In addition, the company's rather complex capital structure includes approximately $54,000,000 in assorted long-term obligations. UNA common has done well. It reached a high of 39 early this year, now sells around 36. With $1.60 annual dividends, it yields a fat 4.4%.

In each year between 1951 and 1959 United Artists managed to increase both its gross income and net profits (per share results have not quite kept pace because of the additional stock). The 1960 showing remained good though it fell short of continuing this enviable record. Net profits from operations dipped 13% from the 1959 high of $4,100,000 or $2.47 a share. However with the help of a nonrecurring $797,000 item—a reversal of a reserve set up by a subsidiary which "management and our accountants felt wasn't necessary"—final 1960 net did climb to a new mark of $4,400,000 ($2.58).

Controller Joseph Ende blames the operating dip on "a decrease in our

Carroll Baker in *Something Wild*

domestic film gross." As reasons for this he cites: 1) "some of our large pictures including *The Alamo, Exodus* and *Facts Of Life* were not put into release until the end of the year" and 2) "one picture, *Inherit The Wind*, didn't do as much as we had expected from the good reviews."

Total reported revenues last year were up 14% to $108,500,000. But this includes substantial income attributable to the acquisition and consolidation of two important subsidiaries last Spring. Ziv Television Programs, a leading TV film producer and distributor, was acquired for $6,750,000 in various notes and debentures. The operations of United Artists Television were then integrated with Ziv. This subsidiary turns out several TV series annually including *Sea Hunt, Bat Masterson* and *Highway Patrol.*

Also last Spring United Artists exercised its option to acquire for $1,100 Associated Artists Production whose assets include "over 1,400 pre-1950 films and several hundred cartoons." These are in addition to the television rights to 742 RKO films which United Artists bought in 1959. Both sets had previously been released to television but chairman Benjamin asserts "their future potential remains tremendous. Their income has been important, continues to be and will be important to us in the future."

However motion pictures "are the best part of the story." United Artists has its own holiday celebrations coming up. Harold Hecht's *The Young Savages* with Burt Lancaster will open nationwide on Memorial Day. The Fourth of July will bring Lana Turner in *By Love Possessed.* Other United Artists hopefuls: *Goodbye Again* ("women will love it") co-starring Ingrid Bergman, Yves Montand and Tony Perkins; *Naked Edge* with Gary Cooper, Deborah Kerr; *Something Wild* with Carroll Baker; *West Side Story* (see cover) which is slated to debut in October.

Exodus (just shown at the Cannes festival), *Facts Of Life* and *The Alamo* continue to garner box-office dollars for United Artists. Bob Benjamin remarks *The Alamo* "has been much more successful in general distribution" than it was on a reserved seat basis. The company is also replaying its two major Oscar-snatchers, *The Apartment* (best flick, director, writers) and *Elmer Gantry* (Burt Lancaster best actor and Shirley Jones supporting actress) on a double bill around the country. All told, United Artists which strives for "quality product" this year won a record twelve Academy Awards.

Chairman Benjamin details: "We concentrate on big pictures [often based on popular books and plays] but not necessarily high cost. For ex-

mple *Hoodlum Priest* is a fine effort or the cost." In December United rtists signed a three-year agreement vith Frank Sinatra's Essex Productions involving six pictures. Three lms will star Frankie himself, one with his whole gang." But the other nree will be low cost (and without 'rank); "the idea is to give something extra which could break nrough." The first of these is *The -15* due to debut at the end of the ear.

Altogether Bob Benjamin thinks we have some excellent pictures oming up." Better yet "every film e have released from December until now is doing up to or beyond our expectations." But lawyer Benjamin is averse to any full-year predictions, only allows "first quarter gross revenues were substantially ahead of last year." First quarter profits report will not be available until June due to the complexity of gathering foreign figures. Controller Joe Ende fills in: "In the current year we hope to do a great deal better theatrically. And our television income could be an important plus." Moreover the company's two-year-old records and music division "was in the black for the first time in the final 1960 quarter. It is doing even better this year."

tandard Financial: A Bigger Factor

New York-Based Lender Matures Through Acquisitions, Wider Borrowing Power

ENIAL, FATHERLY Theodore H "Ted" Silbert looked earestly across the directors' table at ıe Fifth Avenue headquarters of tandard Financial Corp and ticked ff what he calls the "hallmarks of ıaturity" of the 29-year-old corpoation over which he presides:

- "In 1958 we became a prime borower from the biggest banks. This ıeant we paid the lowest interest ate available only to the biggest ompanies.
- "We borrowed publicly through n investment banking group—a 4,000,000 issue of convertible subrdinated debentures bearing a ½% coupon which was offered in une 1958.
- "Leading institutional lenders ered our picture in 1960 and made 15-year unsecured term loans to us. They included New York Life, John Hancock, Connecticut General and others.
- "Our lines of credit with banks have broadened widely to include 70 major banks all over the country; they total over $60,000,000 now. There have been many successive increases in lines from these same banks.
- "We moved to the New York Stock Exchange in April 1960 from the American Stock Exchange where we had been since 1955." The stock currently trades around its alltime high of 17⅞ up from a low this year of 11⅝. Five years ago it was trading around 6.

Says Ted Silbert: "Our business is to finance small and medium-sized growing businesses." To do this the company offers a variety of services —financing of accounts receivable,

factoring, financing instalment sales and financing income-producing machinery. Armed with its own expanded borrowing power and with the help of two major 1960 acquisitions, Standard Financial raised its volume of accounts financed or factored to $305,500,000 in 1960 from $192,100,000 a year earlier. It was $70,120,000 in 1950. A breakdown of last year's activity is given in the adjoining table.

Latest results make Standard 35th in size among the nation's sales finance companies. It was 52nd in 1951.

A tall, heavyish man with gray hair, Ted Silbert, now 57, was only 30 in 1934 when he convinced lawyer and real estate financier Jacob R Schiff he could build a company to finance growing business in the New York area. He became the first employe of JRS Trading Corp, the original name of Standard Financial, which had been formed with only $1,000 capital two years earlier for real estate purposes. Philanthropist Schiff continued to back the company till 1946. In that year Ted Silbert was made president and the company (then known as Standard Factors) went public. Founder Schiff died in 1949.

To his company-building job Ted Silbert brought practical experience as a loan officer in a small New York bank (now part of Long Island's Manhattan-invading Meadow Brook National). He had also worked for several small finance companies. His post-high school education consisted of night courses in banking, accounting and finance.

In addition to running Standard Financial, Ted Silbert has headed important finance company trade associations and has lectured and written widely on his subject for learned professional audiences including a

MAJOR FINANCING METHODS USED BY STANDARD FINANCIAL

	1960 Volume (in millions)	Outstanding Dec 31, 1960 (in millions)	Characteristics
Accounts receivable financing	$137.7	$19.3	Company seeking working capital borrows from Standard. It pledges accounts receivable as collateral. Company collects, pays off Standard.
Instalment sales financing	20.4	18.1	Same as above except that borrower pledges equipment sold on instalment as collateral and assigns monthly payments.
Income-producing equipment financing	17.7	22.3	Borrower pledges drink dispensers, laundry machines or the like as collateral, uses their income to pay off loan.
Factoring receivables	111.5	16.1	Company sells receivables to Standard which assumes all credit risks, collects all accounts, charges company for these services.
All other methods	18.2	9.9	Includes financing of mobile homes, automobiles, machinery & equipment leasing and rediscounts from other finance companies.
TOTALS	$305.5	$85.7	

two-year stint as moderator of small business seminars at Columbia University.

Ted Silbert narrates: "I had the idea that the only way to build this company was to hire capable and experienced men and the way to do this was through the acquisition of going finance and commercial banking businesses." He can point to such men as executive vice president Edwin B Meredith who came with Standard in 1944 when it acquired Industrial Securities Corp of Middletown, Conn or senior vice president Ezra Denerstein who came in 1941 as a result of Standard's acquisition of Manhattan's Plymouth Factors. Another ten senior executives came to Standard Financial via the same route.

The year 1955 was a key time, as Ted Silbert tells it: "That year we merged with Straus, Duparquet, a manufacturer of hotel kitchen equipment. It was acquired because it had excess capital and limited earnings. We had growing earnings and needed additional capital. This began our real growth acceleration. We virtually doubled our resources overnight." The operating assets of Straus, Duparquet were spun off shortly thereafter to Standard stockholders. Ted Silbert remarks Straus, Duparquet shares were worth about 25¢ each when they were distributed. They now trade over-the-counter at about 8.

Standard spread beyond the confines of New York in 1946 when it established a Los Angeles branch. Now a subsidiary, it functions under the name of SFC Financial Corp. In

Ted Silbert makes a point

1956 Standard acquired Texas Factors Inc of Dallas. Standard also has offices in Philadelphia, Pittsburgh and Elmira, NY. Among its more recent acquisitions are Business Factors Corp and Fortune Factors Inc, both of New York and both acquired in January 1960. They give Standard entry into "old line factoring." This means factoring in its strictest sense (see table) as distinguished from accounts receivable financing or similar services rendered by Standard and like companies. They were sizable contributors to Standard's increase in volume of receivables in 1960.

Currently Standard is conducting merger negotiations with Universal Finance Corp of California which specializes in mobile home financing.

Closely held Universal Finance had $25,000,000 of gross receivables and net income of $350,000 in the June 1960 fiscal year.

With its added geographical spread, Standard calls in its men for an annual "retreat." This year's has just been completed at Columbia University's conference center of Arden House in Harriman, NY. Says Ted Silbert: "This helps us get to know the second and third men in the out-of-town offices as well as the top man."

Like any finance company, Standard must borrow money to lend it. The difference in interest rates goes into Standard Financial's kitty to provide profits and pay operating expenses.

Outstanding Debt

At the end of 1960 the company had outstanding about $34,000,000 of short-term debt (bank lines and commercial paper), $12,000,000 of senior notes (due in the mid-Seventies) and $9,798,000 of long-term convertible debentures subordinated to both the senior notes and the short-term debt. Interest rates for the commercial paper currently run around 3½% while coupon rates on the longer debt run from a low of 5⅜% on the senior notes to a high of 6⅜% on some subordinated notes.

On the equity side, Standard has 36,000 shares of 75¢ preferred and 1,908,000 shares of common. Outstanding common stock has crept up from 1,158,000 shares in the past five years, largely because of acquisitions, exercise of options and warrants and debenture conversions. So far approximately 275,000 common shares have been issued on conversion of debentures and about 125,000 shares remain set aside for possible conversion of the rest.

Standard's earnings have risen from $630,000 in 1956 to $1,266,000 in 1960, each year showing an increase over the previous one. Earnings a share have not moved ahead as smartly because of the increase in shares outstanding and last year they dipped two cents to 67¢. But this is up from 52¢ in 1956. The company has managed to edge its dividend upward annually for the last five years; it now pays at a 50¢ annual rate *v* 48¢ for all of 1960 and 34½¢ for 1956.

Ted Silbert proclaims Standard's aim for the next five years is to double net income. Further capital increases would of course moderate the gain a share. For all of 1961 he sees about a 10% increase, which would put net income around $1,400,000.

Achieving the scheduled growth will involve heavy traveling for the wide-ranging president who still makes it his business to visit as many of Standard's borrowers and lenders, large & small, as he can. He believes it will leave him some time to squeeze in a game of golf—though he was not able to in his last California visit ("the first time that's happened"). His home links are the Old Oaks Country Club in Purchase, NY, where he has a summer home. As has been his practice in most organizations to which he has belonged, Ted Silbert was at one time president of that one.

American Potash Profits from Desert

California Chemist Expands Both Home And Overseas

SOUTHEAST of California's High Sierras stretch the arid wastelands of the Mojave desert. In the northern portion of this wasteland at Searles Lake (actually a porous crystalline mass filled with dense alkaline brine) lie the main operations of \$72,000,000-assets American Potash & Chemical Corp (IR, Jan 11, 1956). Wells 70-to-120 feet deep pump up thousands of gallons of brine containing heavy concentrations of mineral salts. American Potash's extracting technology separates these salts into over 25 basic chemical products.

The company's desert history dates back to 1862 when prospector John Searles first staked a claim on the east side of the lake and set up a small borax plant. His claim turned out to be "the richest deposit of diversified chemicals the world has ever known." But it took half a century of technology before the riches of the Searles claim could be extracted for use.

With post-War I demand for potash high, a group of enterprising Britons organized American Potash in 1926 as successor to the 1913-established American Trona Corp which in turn had absorbed California Trona and Mercantile Trona. In 1929 the British sold their holdings in American Potash to Dutch interests. Some further changes took place and in 1942 the US Alien Property Custodian found 90% of American Potash's capital stock had fallen into the hands of German nationals. This stock was confiscated and after the war was resold by the US at \$35 a share. There is still a restriction against foreigners holding the stock. The stock has since been split 2½-for-1 to create 2,270,000 common shares. These now trade on the NYSE at 58, down from a high of 66¾ in 1957.

In the Thirties the company lost its potash dominance when new potash deposits were uncovered in Carlsbad, New Mexico. These are now mined by US Borax and Potash Company of America. However, by that time American Potash not only extracted potash but also borax, soda ash and salt cake (sodium sulfate).

The company has experienced more extensive changes since War II. Its product mix has grown to include: 1) electrochemicals such as chlorates which are used to make pulp and paper, manganese dioxide for batteries, ammonium perchlorate used in rocket fuels; 2) lithium chemicals for production of ceramics and all-weather greases; 3) sodium chemicals for use in the paper, glass and packaging industries; 4) boron chemicals for use in the glass and ceramic industries. American Potash is the world's second largest producer of boron after US Borax and the leading (US) producer of salt cake, lithium carbonate, ammonium perchlorate, thorium, yttrium and rare earths.

Along with its expanded product

Trona evaporation plant

list company sales have grown from $10,700,000 in 1946 to a record high of $54,600,000 in 1959. Last year sales dropped off to $50,500,000. Earnings over the same period increased from $1,900,000 in 1946 to a high of $5,157,000 last year.

So far this year sales are reported "off 15% from the first quarter of 1960 to $11,160,000 and earnings are 43¢ a share *v* 54¢" due to "completion of the lithium defense contract (December 1960) and falling off of commercial business in January and February." Financial vp Richard Hefler notes "commercial sales saw an upswing in March" but he sees "no material change in defense business in the immediate future."

He feels 1961 "volume may be somewhat lower" than 1960 sales but that "net income for the year as a whole should show an increase over last year." Richard Hefler credits American Potash's ability to increase profits in face of declining sales to the "company's continuing cost reduction program and expanded plant capacity and modernization program."

An additional boost to American Potash prospects comes from a three-year $40,000,000 expansion program to be finished next year. Some $12,000,000 is being used to expand boron, potash and salt cake capacity at the main plant in Trona, Cal. This part of the program is scheduled for completion this Summer. At Aberdeen, Miss the company is constructing a $5,000,000 electrolytic manganese metal plant to be ready by Fall. To be completed next year is a titanium dioxide plant in Southern California, the first west of the Mississippi. With a $15,000,000 investment Potash will own 85% of the plant; Laporte Industries Ltd, a British chemist, the rest.

The final phase of the Potash expansion program is another joint venture: Société Européenne du Bore (Seurobor) formed with leading French chemist Ugine. American Potash has a 50% stake in Seurobor which will build a boric acid plant in France to meet growing Common Market demands.

WYANDOTTE WIZARDRY
Michigan Chemist's Progress

WHILE 1960 was generally a poor year for the chemical industry, $100,000,000-assets Wyandotte (Mich) Chemicals Corp was able to report "both sales and net earnings bettered 1959 results and set new records." Sales increased 3% to $97,000,000 and earnings rose even faster to $3.19 a common share from $2.80. President Robert Semple credits the improved results to

higher operating rates at Wyan-lotte's new chlorine and glycol acilities at the Geismar Works in ouisiana and increased volume of rganic chemicals."

In the first quarter this year Wy-ndotte sales and earnings "ran loser to the industry average." Pres-dent Semple reports sales were 22,140,000, off a bit from the first uarter of last year. Earnings were 492,000 or 34¢ a share *v* 45¢ a year go. For the full year he is optimis-ic: "Once renewed strength and rowth is felt in the economy, Wyan-otte's improved plant facilities and ew products should make 1961 a avorable year."

Since 1956 Wyandotte has spent ver $62,000,000 updating and ex-anding its manufacturing facilities. oday the company operates three arge chemical plant complexes: two t Wyandotte for production of basic ndustrial alkalis and one at Geis-ar for chlorine and glycol. In ddition, the company's J B Ford ivision produces industrial clean-rs and sanitizing agents at Wyan-otte, Los Nietos, Cal, Atlanta and lue Mountain, Miss. And the gen-ral products division in Wyandotte as a coke and coke by-product lant, a cement plant, a foundry and Great Lakes steamship company.

Over half of Wyandotte's do-estic sales are gleaned from chlor-lkalis including soda ash (it is No 2 S producer after Allied), chlorine, austic soda, calcium carbonate, alcium chloride and bicarbonate f soda. About a fifth of sales vol-me is in industrial cleaners and anitizers. Another fifth is in organic chemicals, glycols and polyglycols for antifreeze, plastics, synthetic fibers and hydraulic fluids. The rest comes largely from coke and cement.

In 1959 Wyandotte set up an international division to distribute industrial chemicals. Controller Donald Hibbert states: "As yet this is an infant operation but we intend for it to grow." Also the J B Ford division has manufacturing and distribution facilities for its industrial cleaning products in Mexico and Venezuela.

Research Budget

Wyandotte budgets "from 3-to-5% of sales" for research. Controller Hibbert notes: "This is in keeping with the industry average and does not include additional Government-sponsored research." Defense research deals with solid and liquid propellants and high-temperature materials.

Though well known to investors Wyandotte is closely held. All but some 300,000 of the company's 1,400,000 common shares are controlled by the founding (John Baptiste) Ford Family. The public portion of the stock trades over-the-counter around 74 bid, up from 59 at the beginning of the year and 48 since 1960. It pays 30¢ quarterly.

Despite the limited share availability there are 1,300 holders and the company is quite stockminded. Controller Hibbert notes: "The market in our stock seems to be pretty well managed, the houses handling the stock do a good job maintaining the market. There seems to be no immediate need for listing but as institutional interest grows it is inevitable that we consider listing."

Red Hot Year for Ohio Cooler

Copeland Refrigeration Expects Record 1961 Despite First Half Drop

UNTIL the end of War I food preservation depended on regular visits by the iceman. However in Armistice year 1918 Edmund J Copeland, an employe of the fledgling Kelvinator Company, designed and built the world's first successful automatic refrigerator. Today this original "domestic refrigerating machine" stands among the revolutionary American "firsts" exhibited at the Smithsonian Institution.

Inventor Copeland soon left Kelvinator and formed Copeland Products Inc, forerunner of today's Copeland Refrigeration Corp. But whereas the present company concentrates on compressors and condensing units, Copeland Products made refrigerators for home use. During the Twenties the company sold its products mostly through credit financing and by 1933 the Depression and payment defaults had pushed it into receivership.

To realize highest profits from the sale of the assets, the receiver formed Copeland Refrigeration Corp as a "running" company though at the same time he began to sell the machinery piecemeal "right off the line." By 1937 the new company was "down to one manufacturing customer." Early that year the merchants of Sidney, Ohio (40 miles north of Dayton) who were eager for industry induced the failing company to leave the Detroit area by paying the moving costs themselves.

At the end of the same year a group of "industry pioneers" including Frank J Gleason and Oskar H Buschmann left condenser maker Brunner Manufacturing Company to "take over" rapidly fading Copeland. Today president Gleason and senior vp Buschmann head the $15,000,000-assets company which has become one of the three leading independent compressor manufacturers for commercial refrigeration and air conditioning equipment (the other two: Tecumseh Products and Bendix-Westinghouse).

First Step

Frank Gleason recalls "the first step was to develop products and customers. They both had been let go. We even had to buy back the basic Copelametic compressor patent which is our bread & butter." Besides the Copelametic which is "hermetically sealed but at the same time retains accessibility for field servicing," the company also makes open (belt-driven) and fully hermetic or welded-in-steel compressors ranging in size from one-eighth to 30 hp. Grayhaired Frank Gleason believes "we are the only company to handle such a complete line of compressors and condensing units." He proudly adds: "There are 19 companies, including Copeland, which make compressors. We do business with 12 of them." The explanation: many air conditioning companies make some of their own compressors but also draw on Copeland's much wider range of models.

Copeland sells approximately 85%

Copelametic compressor production

of its output directly to over 200 refrigeration and air conditioning producers. A network of 150 wholesalers throughout the US & Canada handles the rest. Frank Gleason states: "We don't produce an end product and we don't intend to. We don't want to compete with our customers."

Over half of Copeland's sales go into commercial food preservation equipment. The company currently has a "lion's share" of commercial food fixtures & display cases as well as truck & trailer cooling systems. Sales to air conditioner manufacturers represent less than a fifth of the company's total volume. President Gleason admits Copeland "has been weak in getting a good share of the room air conditioner, heat pump, beverage cooler and home freezer markets." However he notes "ten new basic compressor models in various stages of development will enable us to penetrate these markets." He is undismayed by the unstable nature displayed by the room air conditioning market in recent years, feels there is major growth ahead. With these added products he feels Copeland should be able to increase its share of the compressor market to 25% from its present 13%.

During its first 20 years at Sidney the compressor company expanded from one plant to six locations in the Sidney area. But in 1958 it consolidated its activities in a one-story, $7\frac{1}{2}$-acre plant located on 75 acres within the Sidney city limits. The new facility features a two-mile monorail track which moves products through the plant. Frank Gleason notes the new \$1,500,000 Copelametic automated transfer machine line "saved 80% in floor space, replaced 87 machine tools which we'll send to our new Canadian and Mexican plants. In our case automation actually increased the number of employes by virtue of the resulting increased business." Within the next three years the company plans to spend \$7,000,000 in capital improvements, most of the funds going to

further modernize manufacturing facilities.

Copeland Refrigeration made another move last June when it listed its common on the Big Board under the ticker symbol CRF. The 802,600 shares (management holds about 10%) currently sell at an alltime high of 47 which is 14 points higher than last year's peak and almost seven times the top 1951 price. Last month directors upped the dividend a nickel to 25¢ a quarter.

In this day of wide diversification the one-line producer has chosen to expand geographically. Copeland has licensed companies in Britain, France, Germany, Spain and Argentina to produce Copeland-designed products. Frank Gleason notes "we're working on a number of others. It's our intention to cover the Free World with Copeland licensees." Royalties last year brought in around $100,000. In 1960 the company set up a wholly owned subsidiary in Canada "to strengthen our sales effort there" and one in Mexico "to increase market penetration and provide a springboard into Latin American markets." Both companies are engaged in assembly now, will eventually move into machining operations with help of the surplus Sidney equipment.

Copeland is on a September fiscal year and the one ended last Fall was a record breaker. Sales increased 13% to $39,600,000. Due to "improved manufacturing methods, deeper market penetration and expansion of operations into international fields," earnings shot up three times as fast to $2,000,000 or $2.50 a share from $1.79 the year before. For the March half of fiscal 1961 however, sales were down 14% to $16,500,000 and profits slipped at the same rate to 97¢ a share from $1.11. President Gleason attributes the drop to "a workdown of inventories by our customers," also notes comparison "to an exceptional first half the preceding year." However "dollar input during the March '61 period increased over 20%."

The Copeland management feels it has "its arms around expenses," looks forward to "another record year."

Further ahead, with the continued growth of the air conditioning and frozen food industries, the expected population boom and its new compressor models, the refrigeration company expects to more than double sales by 1965. Adds president Gleason: "With our present plant we already have the capacity for a $60,000,000 a year business and we'd expect to keep the industry's traditional 10% pretax margin."

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COUTURIER CORO

This striking miss wears "Vendome" beads styled in the new "long-line look" for Summer by Providence costume jeweler Coro Inc. The $15,000,000-assets New Englander is the largest US costume jeweler. It is also the only major publicly owned company in this over-$200,000,000-a-year industry. Coro's 477,000 common shares, about one-third management owned, trade on the Amex near 15. This is a 1961 high but well off the 1960 peak of 23 and the alltime top of 27 back in 1946.

The Coro product mix depends on style trends. President Gerald Rosenberger notes "occasionally we get a trend against us." A current example is beads which Coro both manufactures and imports. President Rosenberger explains "they contribute handsomely to our volume but do not keep our plants and craftsmen busy enough." As a result sales last year totaled a record $33,200,000 for a 7% gain over 1959. Earnings however declined to $645,000 (with $168,000 of this non recurring) or $1.35 a common share as against $1.65.

While Coro makes jewels for practically every pocketbook, its two top lines — Vendome Couturier in the $5-to-50 range and Francois, "for fashion in the middle [$3-to-15] range" — are the fastest growing. To add to its higher-priced lines Coro last year purchased synthetic diamond maker Diamond-Ite International. This Spring it set up Verité Jewels to market emerald-set jewelry. But the bulk of business is still the popular lower-priced Coro line.

So far this year Coro sales are "about even with last." However the last half of the year is traditionally "our most important." And thanks to "dramatic emphasis on costume jewelry" in Fall fashion showings president Rosenberger predicts "better sales and profits."

PRECEPTS

We'd like to tell you about two kinds of investors that we see every day.

First, there's the skeptic. He's probably the best kind of investor. He has a show-me attitude, views all stocks with a jaundiced eye, listens to tips and tipsters suspiciously if at all, takes everything with a grain of salt. He never acts without good reason, nor does he expect miracles. Indeed, he would be dubious if one happened.

Then, there's the obstinate man. He is perhaps the worst kind of investor. In spite of the fact that the essence of the market is change, he refuses to change with it. Inflexibly, he may buy a good stock and stay with it too long, or buy a dud and cling to it stubbornly while it goes down down down.

Well, the moral of our story is obvious. If you're an investor or about to become one, may we offer you two observations that are worth remembering?

A French proverb on skepticism says, "Skeptics are never deceived."

And an Alexander Popism on obstinacy says, "An obstinate man does not hold opinions, but they hold him."

Amen.

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